

Message Text

PAGE 01 BELGRA 01731 230817 Z

16

ACTION EUR-25

INFO OCT-01 IO-12 ADP-00 CIAE-00 DODE-00 PM-09 H-02 INR-10

L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 RSR-01 /167 W

----- 008366

R 230700 Z APR 73

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 6002

INFO USMISSION OECD PARIS

USMISSION NATO

USMISSION EC BURSSELS

USMISSION GENEVA

AMCONSUL ZAGREB

LIMITED OFFICIAL USE BELGRADE 1731

E. O. 11652: N/A

TAGS: EFIN, ETRD, YO

SUBJECT: YUGOSLAV ECONOMIC TRENDS: FIRST QUARTER 1973

REFS: A. BELGRADE 1129 B. BELGRADE A-24 (JAN 72)

SUMMARY: FIRST QUARTER RESULTS SHOW BRIGHT PROSPECTS FOR 1973 EXTERNAL ACCOUNTS. PRODUCTIONGROWTH RATE MODERATE, WITH CONSUMER DEMAND AND INVESTMENT GROWTH RATE CONTINUING TO TAPER OFF. PRICES AND COST OF LIVING INCREASES REMAIN DIFFICULT POINTS, ESPECIALLY IN LIGHT OF PARTIAL WAGE FREEZE AND SUPPOSEDLY COMPLETE FREEZE ON PRICE INCREASES. VARIETY OF EFFORTS BEING UNDERTAKEN TO INCREASE WORKING CAPITAL RESOURCES OF BANKS AND BUSINESSES. ILLIQUIDITY MEASURERS APPEAR TO BE WORKING WELL, ALTHOUGH SOME CREDITORS AR APPARENTLY VOLUNTARILY WITHDRAWING DEMANDS FOR PAYMENTS DUE IN ORDER TO KEEP DEBTORS AFLOAT. GOY FACES CRITICAL JUNCTURE IN JUNE WHEN WAGE/ PRICE CONTROLS SCHEDULED TO BE LIFTED. END SUMMARY.

1. PRELIMINARY FIRST- QUARTER TRADE DATA SHOWS EXPORTS UP 14

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BELGRA 01731 230817 Z

PERCENT AND IMPORTS UP 36 PERCENT OVER FIRST QUARTER 1972. JANUARY-MARCH TRADE DEFICIT (PRELIMINARY) \$392- MILLION (EXPORTS \$561- MILLION/

IMPORTS \$952- MILLION AT 17 ND EQUAL ONE DOLLAR). BIG JUMP IN VALUE OF IMPORTS OVER FIRST QUARTER 9172 REFLECTS UNUSUALLY LOW IMPORTS IN FIRST QUARTER 1972 AS WELL AS CURRENT 20-30 PERCENT HIGHER WORLD PRICES FOR RAW MATERIAL IMPORTS, ESPECIALLY OIL AND AGRICULTURAL PRODUCTS, E. G. COTTON, HIDES, ETC. OIL INDUSTRY ESTIMATES, FOR EXAMPLE, THAT DEVALUATION WILL RESULT IN ADDED \$50- MILLION EXPENDITURE

FOR IMPORT CRUDE AND DERIVATIVES IN 1973. BY COMPARISON FIRST QUARTER 1972, EXPORTS TO CONVERTIBLE CURRENCY AREA WERE UP 16 PERCENT, CLEARING AREA UP 9 PERCENT, OTHERS UP 17 PERCENT. IMPORTS FROM CONVERTIBLE CURRENCY AREA WERE UP 35 PERCENT, FROM CLEARING COUNTRIES UP 39 PERCENT AND FROM OTHERS UP 43 PERCENT. EXPORTS CONTINUE TO BE LED BY INDUSTRIAL PRODUCTS -- UP 18 PERCENT-- WITH BEST

PERFORMANCE IN METALS INDUSTRY.

2. INVISIBLES OUTLOOK CONTINUES BRIGHT. NATIONAL BANK REPORTS FOREIGN EXCHANGE INFLOW FORM WORKERS' REMITTANCES UP 19 PERCENT OVER FIRST TWO MONTHS 1972 TO \$215.8- MILLION FOR FIRST TWO MONTHS 1972. ON SAME BASIS COMPARISON, TOURISM FOREIGN EXCHANGE INFLOW FOR SAME PERIOD UP 26 PERCENT TO \$63- MILLION. TRANSPORTATION AND OTHER RECEIPTS UP 69.5 PERCENT OVER FIRST TWO MONTHS 1972. NATIONAL BANK NOW FORECASTS LARGE CURRENT ACCOUNT SURPLUS IN 1973 ON BASIS GOOD EXPORT GROWTH, CONTROLLED IMPORTS AND IMPROVED INVISIBLES EARNINGS (BELGRADE 1549).

3. OVERALL INDUSTRIAL PRODUCTION IN FIRST QUARTER 1973 UP 7.5 PERCENT, SAME AS ANNUAL RATE PROJECTED IN 1973 ECONOMIC POLICY STATEMENT. FOREGOING COMPARES TO 6.3 PERCENT INCREASE INDUSTRIAL PRODUCTION LAST QUARTER 1972. CONSUMER AND INVESTMENT DEMAND MAY BE DECLINING, REFLECTING IMPACT STABILIZATION MEASURES. BY COMPARISON FIRST QUARTER 1972, DISPOSABLE CONSUMER INCOME SAID TO HAVE DECLINED 4 PERCENT. LJUBLJANA LAW FACULTY ECONOMICS INSTITUTE CONFIRMS EARLIER FORCASTS OF REDUCED CONSUMER SPENDING AND NOW FORECASTS DECREASED PROPENSITY TO SPEND ON PART OF CONSUMERS THROUGH OCTOBER. EMBASSY ALSO HAS IMPRESSION THAT OVERALL INVESTMENT RATE CONTINUES TO TAPER OFF. CONTINUING SERIES BEGUN IN REFTEL A, JANUARY TOTAL INVESTMENT 2.2 BILLION NEW DINARS. IN LIGHT FOREGOING INDICATIONS, INVENTORIES MUST BE GROWING, EVEN THROUGH GROWTH IN INDUSTRIAL OUTPUT SAID TO BE EXPORT- LED.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BELGRA 01731 230817 Z

4. PRICES REMAIN AREA OF DIFFICULTY. DESPITE APPARENT DROP TOTAL DEMAND AND PRICE FREEZE INSTITUTED FEBRUARY 15, RETAIL PRICES ROSE 4.6 PERCENT IN FIRST QUARTER, PRODUCER PRICES WERE UP 3 PERCENT, AND COST OF LIVING ROSE 4.6 PERCENT COMPARED TO C DECEMBER 1972. COMPARED TO FIRST QUARTER 1972, RETAIL PRICES ARE UP 16.9 PERCENT, INDUSTRIAL PRICES ARE UP 15.3 PERCENT AND AGRICULTURAL PRICES ARE UP 25.3 PERCENT. COST OF LIVING UP 19.9 PERCENT FROM FIRST QUARTER 1972. PRESSURE FROM CTUY TO ENSURE THAT WAGE

FREEZE IN INO- ECONOMIC SECTOR IS LIFTED AS SCHEDULED JUNE 30 HAS ALREADY BEGUN. FEDERAL SECRETARY FOR ECONOMY HAS SAID THAT " SOME" PRICES WILL REMAIN UNDER PUBLIC CONTROL AFTER JUNE 30. WAGE/ PRICE SPRIRAL COULD RESUME WITH REAL VENGEANCE IF OTHER FORMS OF RESTRAINT DO NOT REPLACE PRICE AND WAGE FREEZES.

5. REASONS FOR CONTINUED RISE IN PRICES ALTHOUGH FROZEN ARE TWO- FOLD -- GOVERNMENT AUTHORIZED EXCEPTIONS, I. E., COAL PRICES AND ELECTRICITY RATES, AND WIDESPREAD VIOLATION IN MARKET PLACE. MARKET INSPECTORATE REPORTS OVER 5000 FIRMS CHARGED WITH BREACHES OF PRICE FREEZE.

6. INCREASING CONCERN BEING EXPRESSED OVER DISPARITY BETWEEN SOCIAL OVERHEAD INVESTMENT AND CAPTIAL INVESTMENT (TOO MUCH IN FORMER AND NOT ENOUGH IN LATTER). COMMERCIAL BANKS WERE RECENTLY FOR- BIDDEN BY FEDERAL EXECUTIVE COUNCIL TO EXTEND CREDITS FOR INFRA- STRUCTURE PURPOSES WHICH MUST NOW BE FINANCED BY LOCAL COMMUNES THROUGH TAX REVENUE AND DOMESTIC BOND ISSUES. MONEY SUPPLY INCREASED 2.2 PERCENT IN JANUARY OVER DECEMBER 1972 AND WAS 41.4 PERCENT GREATER THAN LEVEL IN JANUARY 1972.

7. BANKING SYSTEM UNDERGOING EXTENSIVE CHANGES DESIGNED TO ENCHANCE WORKING CAPTIAL FLOW THROUGHOUT ECONOMY. INTEREST RATES ON SIGHT DEPOSITS EXPECTED TO BE SIGNIFICANTLY REDUCED BEOFRE JUNE. CONTINUED HIGH INTEREST RATES ON TIME DEPOSITS EXPECTED TO INCREASE PROPSNITY FOR LONG- TERM SAVINGS (BELGRADE A-224). NATIONAL BANK HAS ALSO UNDERTAKEN TO CONVERT OUTSTANDING SHORT- TERM CREDIT TO LONG- TERM (FIVE YEARS), LOW INTEREST (3 PERCENT) LOANS. NATIONAL BANK PRIMARY ISSUE FOR FIRST QUARTER INCREASED TO 2.36- BILLION NEW DINARS.

8. GENERAL CONSENSUS OF ECONOMIC LEADERSHIP IS THAT STABILIZATION PROGRAM (PAYMENT OF OVERDUE DEBITS AND LIQUIDATION OF UNCOVERED INVESTMENTS) PROCEEDING WELL DESPITE DIFFICULTIES. NUBMER OF COURT- LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 BELGRA 01731 230817 Z

ORDERED PAYMENTS, BLOCKED BANK ACCOUNTS, WORKERS RECEIVING MANDATORY WAGE CUTS IN ILLIQUID FIRMS, UNPAID BILLS AND UNCOVERED INVESTMENTS ARE ALL DOWN. THERE IS SOME EVIDENCE THAT CREDITORS HAVE VOLUNTARILY WITHDRAWN DEMANDS FOR PAYMENT OF OVERDUE BILLS IN ORDER TO GIVE DEBTORS TIME TO REORGANIZE AND AVOID BANKRUPTCY PROCEEDINGS WHEREBY EVERYONE LOSES. WHILE NOT ILLEGAL, THIS APPROACH VITIATES INTENT OF ILLIQUITY MEASURES BY POSTPONING INEVITABLE DAY OF RECKONING FOR HOPELESS ENTERPRISES.
JOHNSON

LIMITED OFFICIAL USE

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptoning: X
Capture Date: 07 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 23 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BELGRA01731
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: BELGRADE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730460/abqceede.tel
Line Count: 159
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 13 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13-Aug-2001 by kelleyw0>; APPROVED <18-Sep-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 980127; srp 980127
Subject: YUGOSLAV ECONOMIC TRENDS: FIRST QUARTER 1973
TAGS: EFIN, ETRD, YO
To: STATE INFO OECD PARIS
NATO
EC BURSSELS
GENEVA
ZAGREB
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

